GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:298
ANSWERED ON:25.02.2000
VASUDEV COMMITTEE ON NBFCS
ANANTRAO GUDHE

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have received the report of Vasudev Committee constituted for suggesting prudential norms for non-banking financial companies (NBFCs);

(b) if so, the details of the recommendations/observations made by the committee; and

(c) the details of action taken/proposed to be taken there on?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) Yes, Sir.

(b) & (c): The recommendations of the Task Force relating to
(i) higher entry level Net Owned Fund (NOF);
(ii) higher capital to Risk Asset Ratio (CRAR) for NBFCs seeking public deposit;
(iii) ceiling on exposure to real estate and unquoted investment;
(iv) disclosure in application form and advertisement for public deposits;
(v) tightening of norms for exposure to connected companies;
(vi) review of particulars to be disclosed in advertisements and
(vii) unincorporated bodies to have access to loans from corporates have been implemented by Reserve Bank of India (RBI) by way of issue of appropriate directions. Recommendations relating to
(i) unsecured depositors to be given first charge on liquid assets;
(ii) setting up of a Depositors` Grievance Redressal Authority;
(iii) Speedy winding up of errant NBFCs on the lines of commercial banks;
(iv) empowering RBI to direct a particular NBFC or a class of NBFC to seek prior approval for appointment of statutory auditors;
(v) attachment of assets of fraudulent NBFCs by notification by RBI and the management of such assets to be vested with a custodian to be appointed by RBI;
(vi) unauthorized deposit taking by unregistered NBFCs to be made a cognizable offence;
(viii) ban on issue of advertisement soliciting public deposits, - requires changes in legislation. Action has been initiated for enactment of a new Act for NBFCs to give effect to recommendations of Task Force requiring statutory amendments.

In addition, as per the recommendations of Vasudev Committee, State Governments have been provided with the list of NBFCs who have been granted registration and those whose applications for registration have been rejected. To ease flow of credit from banks to NBFCs, the ceiling on bank lending to NBFCs registered with RBI has been removed in May, 1999To have a better coordination between regional offices of RBI and the regional office of the Company Law Board, Regional Level Coordination Committees have been set up in four metro centres. RBI has also started publicity campaign for educating the depositors.RBI has started annual inspection of NBFCs accepting public deposits.A separate Executive Director has been appointed for NBFCs with effect from September 1, 1999.